



Minutes

CONFIDENTIAL

Audit Committee (AUC)
Thursday, April 25, 2019
PEO Offices, Room 1C
5:00pm – 6:30pm

Present: Ishwar Bhatia, P.Eng., Eastern Region Councillor - Chair
Thomas Chong, P.Eng., East Central Region Councillor – Vice Chair
Guy Boone, P.Eng., Eastern Region Councillor
Lola Hidalgo, P.Eng., Western Region Councillor (joined at 5:07pm via teleconference)
Craig Young, P.Eng., CPA, CMA

Staff: Margaret Braun, (Acting) Director, People Development (via teleconference)
Viktoria Aleksandrova, Committee Coordinator

Guest: Steve Stewart, CPA, CA (Deloitte)

Observer: Peter Cushman, P.Eng. (left the room during the in-camera session and returned to the open session)

Regrets: Johnny Zuccon, P.Eng., Registrar
Chetan Mehta, MS, MBA, Director, Finance
Lucy Capriotti, Administrative Assistant

1.0 Call to Order

Meeting was called to order at 5:02pm by Ishwar Bhatia, P.Eng., AUC Chair.

2.0 Approval of Agenda

Moved by T. Chong, seconded by C. Young:

That the draft agenda be approved as presented. **MOTION CARRIED.**

IN-CAMERA SESSION

Moved by T. Chong, seconded by G. Boone:

That the meeting be moved to an in-camera session. MOTION CARRIED

The Chair requested that Peter Cushman leave the meeting room during the in-camera session.

3.0 Approval of Minutes

Moved by G. Boone, seconded by T. Chong:

That the Minutes of the Audit Committee meeting held on March 12, 2019 (AUC items only) be approved as presented. MOTION CARRIED

It was reported that that the following action items were completed:

Item	Action	Responsible	Status
1	Provide link to the employee handbook.	M. Braun	Completed
2	Provide information on the defined benefit pension plan and benefits offered to employees who were members prior to 2006.	M. Braun	Completed
3	Send link to procurement policy to all committee members.	C. Mehta	Completed

Action:

- M. Braun to obtain advice from a pension lawyer and provide an update at the next meeting regarding alignment of the current pension plan with the industry standards.

S. Stewart made a remark that the purpose of the Audit Committee was to review the audit report of the pension fund. He also noted that the organization may consider establishing a Pension Committee to oversee the pension plan governance. Margaret notified the committee that similar advice was received from the pension lawyer.

S. Stewart confirmed that the custodian of PEO's pension fund is Royal Bank of Canada (RBC) and that the investments were made in accordance with PEO's Investment Policy.

I. Bhatia noted that on September 27, 2018 the committee was notified of a discrepancy

which occurred in 2014 with regards to reporting of pension liabilities to the Financial Services Commission of Ontario (FSCO). He inquired whether FSCO had been notified of the occurrence.

M. Braun reported that FSCO had been notified and a pension lawyer was retained to deal with the matter.

L. Hidalgo requested that staff provided an update to Council in-camera regarding the identified discrepancy and what steps had been undertaken to address it.

T. Chong suggested that PEO should wait to receive information from FSCO with regards to the next steps.

C. Young proposed that information was provided to Council in-camera with regards to potential legal implications and/or other consequences resulting from the discrepancy and the steps taken to address it.

4.0 Audit Report on 2018 Pension Plan Statements by Steve Stewart (Deloitte)

S. Stewart began his presentation by clarifying that the purpose of the Deloitte's report was to perform an audit on the financial statements of PEO's pension plan funds and notify the Audit Committee (AUC) in case any discrepancies and/or errors be found. The financial statements were prepared as required by FSCO.

S. Stewart reported that the financial statements were consistent with the last year's statements. The investments were verified with the custodian. No errors and/or non-disclosures were found. He mentioned that the Independent Auditor's Report was prepared in compliance with the requirements and that, once approved, the financial statements were to be submitted to FSCO.

S. Stewart noted that the net investment income in 2018 was a loss but reassured the committee that the loss was a result of overall market conditions in 2018 and not the discrepancy identified earlier.

S. Stewart notified the committee that the notes to the report were consistent with the last year and were prepared in compliance with the new requirements. He also confirmed that PEO's investments were in accordance with PEO's Investment Policy approved by Council. Note 8 of the Report addressed the issue of reporting discrepancy to FSCO, which resulted in estimated annual payments of \$117,500 commencing 2019 through to 2023. It was added in the report that the payments may be modified following the actuarial valuation as of January 1, 2019.

S. Stewart explained that had PEO filed the information correctly, the potential gap between assets and liabilities would have been lower. The issue was addressed with the pension lawyer and special payments had been determined.

Moved by C. Young, seconded by T. Chong:

That the Auditor's Report be accepted as presented. MOTION CARRIED.

Moved by C. Young, seconded by L. Hidalgo:

That the Audit Committee (AUC) recommend that an update be provided to Council in-camera regarding pension funds reporting with the Financial Services Commission of Ontario (FSCO). MOTION CARRIED.

Moved by C. Young, seconded by T. Chong:

That the Audit Committee recommend development of a Pension Committee to oversee all aspects of pension governance. MOTION CARRIED.

The Chair requested that the committee had a private session with the auditor, without staff being present. Staff left the meeting room at 6:08pm and returned to the meeting at 6:19pm.

OPEN SESSION

Moved by L. Hidalgo, seconded by G. Boone:

That the meeting be moved to an open session. MOTION CARRIED

The Chair requested that Peter Cushman joined the meeting. Staff provided the disposition of motions passed in-camera:

- 1. That the Audit Committee (AUC) recommend that an update be provided to Council in-camera regarding pension funds reporting with the Financial Services Commission of Ontario (FSCO). MOTION CARRIED.**
- 2. That the Audit Committee recommend development of a Pension Committee to oversee all aspects of pension governance. MOTION CARRIED.**

5.0 Other Business

No other business was discussed.

6.0 Next meeting

G. Boone suggested that the committee considered a joint meeting with the past and future AUC members to ensure smooth transition.

The meeting was adjourned at 6:29pm.

Outstanding Action items from the AUC meeting on April 25, 2019

Item	Action	Responsible	Status
1	Look into HST compliance issues for revenue collection and other fund-raising activities at Chapters.	C. Mehta	Work in progress
2	Obtain advice from the pension lawyer and provide an update at the next meeting regarding alignment of the current defined pension plan with the industry standards.	M. Braun	Work in progress